2011
FINANCIAL RESULTS
First Quarter

LSB

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CONTENTS

RELEVANT ASPECTS

- **Increase in sales by 28% despite the fact that the Group's activity has been affected by an environment of scarcity in supply and a strong rise in raw material prices, which has reduced the utilization of PET production capacity to 70%.**

- **Recurring EBITDA totalled 16.3 million euros, which represents an increase of 48% thanks to the increase in production activity and the improvement in operating margins in an environment of containment of fixed costs.**

- **94% improvement in operating results, which has placed the Group very close to break-even point in its operations.**

- **The balance sheet shows a sound financial structure with an adequate balance between equity and external sources of financing, with consolidated equity representing 25% of the Group's sources of financing.**

- **Increase in working capital by 31 million euros due to the growth in accounts receivable from customers associated to higher turnover, and a reduction in accounts payable with the commencement of the payment period agreed in the financial restructuring.**

- **Achievement of the goals of the Restructuring Plan as regards divestment of companies considered not strategic for the Group.**

- **Culmination of the reorganization of the Group's Corporate Governance, with the incorporation of three new independent directors and the creation of the Strategy Committee.**

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1. EVOLUTION OF THE GROUP'S BUSINESS

During the first quarter of 2011, the Group's activity has been conditioned by the strong increase in the prices of basic raw materials and by the scarcity of such materials, which has caused supply difficulties for the Group.

The prices of the basic raw materials for PET (PTA and MEG) in Europe have undergone increases of 23% and 16%, respectively, since the start of the quarter, driven by the strong increase in demand on the Asian markets, where prices increased by more than 20% in February 2011.

The strong pressure of Asian demand has meant that production in the Middle East has shifted towards these markets, generating tensions between supply and demand in the European markets, aggravated by the successive interruptions of production and the consequent declarations of Force Majeure by some of the main domestic operators.
The price of PET in the European market has followed a similar evolution with an increase of more than 19% between December 2010 and March 2011, which has made it possible to maintain the profitability of European producers in an environment of decreasing occupation of production capacity.

The PET Packaging market has been able, in general, to pass the increase in the price of PET onto end customers, although this environment of prices has slowed the growth in demand by reducing the competitiveness of PET compared to other materials.

The increase in the price of raw materials has had a substantial impact on the Group's balance sheet as it has entailed an increase in net working capital financing needs of 31 million euros.

In this context, the LSB Group has managed to increase its consolidated turnover to 260 million euros, which represents an increase of 28% compared to the same period last year. In terms of EBITDA, the Group's consolidated EBITDA has generated 14.2 million euros, compared to 6.2 million euros in the same quarter of 2010, and recurring EBITDA has totalled 16.3 million euros. The loss before taxes has fallen to 5.5 million euros, compared to 22 million euros at March 2010.

1.1 ANALYSIS BY BUSINESS UNIT

The figures for each Business Unit detailed below are unconsolidated figures obtained from the Group's management accounts. The last point in this section shows the reconciliation between the consolidated accounts and the management accounts.

- **PET / PET Recycling Division**

The perimeter of this division for the purposes of the management accounts has undergone modifications during this quarter due to the exclusion of the plants in San Roque (Cádiz) and Portalegre (Portugal) as a result of the divestment processes in which they are involved. The comparative figures for the previous year are offered at constant perimeter.

During the first quarter of 2011, the evolution of this division's activity has been marked by the difficulty in obtaining supplies of raw materials, aggravated by the interruption of production by some key suppliers, which has led to the declaration by LSB of a situation of *Force Majeure* in light of the impossibility of meeting the demand of all its customers.

The total sales of this division amounted to 136 million euros, which represents an increase of 58% compared to the same period last year. This increase in sales is attributable to a 23% increase in volume and a 35% increase in average selling prices.

The EBITDA of the division totalled 8.8 million euros compared to 1.7 million euros in the first quarter of 2010, which demonstrates the division's capacity to pass the increase in the price of raw materials onto its customers. The EBITDA in the first quarter of 2011 represented 52% of the gross margin, which is highly significant in an environment in which the utilization of the production capacity has been less than 70%, in line with the average for European producers.

During this quarter the recycled PET production plant in Balaguer (Lérida) has started the operational phase and will be fully operational in the second quarter of 2011.

- **Packaging Division**

The evolution of the business of the Packaging Division during the first quarter of 2011 has been marked by the pressure to pass the increase in the cost of raw materials onto customers and by the fall in demand due to the preferential approach of certain customers to other packaging materials. In addition, the loss of a major customer in the UK, since December 2010, has a relevant impact on the comparison of the results for the quarter with those for the same period last year.

Thus, during the first quarter of 2011, the total sales of the division amounted to 147 million euros, representing an increase of 16% compared to last year. However, in terms of units sold, sales have fallen by 6%, basically due to the impact of the loss of a relevant customer for the plant in Gresford (UK).

The EBITDA of this division totalled 8.0 million euros in the first quarter of 2011, compared to 10.3 million euros in the same period in 2010.

The Packaging Division of LSB has been the first PET Packaging producer to obtain the prestigious quality and health safety certification in all its production plants according to the global standards of the BRC/IOP. These standards were developed by the British Retail Consortium and are currently used by over 14,000 suppliers in more than 100 countries.

- **Chemical Division**

The Chemical Division has benefitted from the increase in the price of raw materials during the first quarter of the year, as the increase in the price of MEG in the European market has enabled it to increase its production and its accessible market.

The sales of this division totalled 24.4 million euros, which represents an increase of 63% compared to the 15.0 million euros in sales obtained in the same period last year. The volume of sales has increased by 32% basically due to the increase in sales of MEG, while sales of the other products have remained constant.

The EBITDA of this division amounted to 2.0 million euros compared to losses of 0.1 million euros in the first quarter of 2010, despite the shutdown in production carried out to replace the catalyst in the plant, which has involved an investment of 3.2 million euros.

In addition, an investment has been made to allow dispatch of the product directly to the port of Tarragona to facilitate the maritime transport of the product and consequently increase access to new markets.

1.2 RECONCILIATION OF MANAGEMENT ACCOUNTS AND ACCOUNTING RESULT

The table below shows the reconciliation between turnover and EBITDA in the management accounts and the consolidated accounts at 31st March 2011:

Thousand euros	PET / Recycling	Packaging	Chemical	Others	Management accounts	Differences in Perimeter	Consolidation Adjustments	Reclassifications	Consolidated IFRS
Turnover	136,072	147,224	24,397	0	307,693	582	-54,882	6,668	260,061
EBITDA	8,762	8,047	2,083	-3,523	15,369	-603	-459	-70	14,237

1.3 FOLLOW-UP OF STRATEGIC PLAN

During the first quarter of 2011, the LSB Group has continued to execute the Strategic Plan approved by the Board of Directors and has covered part of the goals established by it.

Thus, with regard to divestment of non-strategic assets, the Group has completed the divestment of the plant in San Roque and the sale of its 20% stake in Evertis SGPS, S.A. It has also made progress in the negotiations for the sale of the plant in Portalegre in Portugal. In addition, processes have started for the sale of other assets which are expected to be completed throughout this year.

With regard to Corporate Governance, the Board of Directors has incorporated three new independent directors, thus fulfilling the commitments acquired with shareholders and financers in the above-mentioned Restructuring Plan.

1.4 EXPECTATIONS FOR THE SECOND QUARTER

The expectations for the second quarter of the year are of a gradual return to normality as far as the supply of raw materials is concerned, based on the commencement of operations of a new PTA supplier in Europe, and the supply contracts signed in recent months.

The escalation in prices of raw materials has shown signs of reaching an end as of April due to the slowdown in demand from the Asian markets, which makes it likely that there will be a fall in prices and greater availability of raw material in the European market.

Consequently, the Group expects to increase substantially the utilization of its production capacity coinciding with the increase in seasonal demand starting in May 2011, in a scenario of maintenance of PET margins due to the expected recovery of inventories of processors.

However, to the extent that the euro/dollar exchange rate remains at current levels, it is foreseeable that the flow of PET imports from the Middle East will recover again during the second half of the current year.

2. CHANGES IN THE CONSOLIDATION PERIMETER

The main variations in the consolidation perimeter and in the companies that comprise it are as follows:

- Sale of Artenius San Roque, S.A.U.: See section 4.1

- Sale of Evertis SGPS, S.A.: See section 4.2

- Dissolution of the subsidiaries Seda Energy, S.L.U. and Artenius Prat PET, S.L.U.: The Parent Company has carried out the dissolution and simultaneous liquidation of the aforesaid companies (without production activity) in line with the objective established in the Group's Strategic Plan. The value of the equity is detailed in the Appendix to the notes to the consolidated accounts for the year ended 31st December 2010.

3. KEY FIGURES OF THE CONSOLIDATED GROUP

3.1 INCOME STATEMENT FIGURES

The key consolidated figures of La Seda de Barcelona, S.A. and its subsidiaries at 31st March 2011 compared to 31st March 2010 are as follows:

	31/03/2011	31/03/2010	Var. %
Turnover	**260,061**	**203,779**	**28%**
EBITDA	**14,237**	**6,168**	**131%**
Recurring EBITDA	**16,307**	**11,025**	**48%**
Operating loss	**-603**	**-10,805**	**94%**
Loss before taxes	**-5,478**	**-22,046**	**75%**

As mentioned in point 1 above, turnover has increased significantly, by 28%, mainly due to the increase in selling prices as a result of passing the increase in the purchase price of the basic raw materials onto customers, and the increase in volume mainly in the PET and Chemical businesses.

The calculation of EBITDA includes certain exceptional income and expense items which the Group does not consider to have arisen in the normal course of its operations and considers that they will not be generated again in successive periods. A breakdown of the recurring EBITDA is set out below, adjusted to take into account the non-recurring items mentioned above, together with the main items considered in calculating it:

	31/03/2011	31/03/2010
ACCOUNTING EBITDA	**14,237**	**6,168**
Restructuring expenses	407	2,395
EBITDA Artenius Sines	-	1,909
EBITDA Portugal	915	(1,190)
EBITDA A Green	371	133
EBITDA Simpe	140	278
EBITDA San Roque	-	1,209
Others	237	123
Recurring EBITDA	**16,307**	**11,025**

The above calculation has been adjusted in respect of the impact on the EBITDA of certain plants that have not been active during the quarter and the fixed costs of which distort the analysis of the results of the operations.

The recurring EBITDA has totalled 16.3 million euros at March 2011, which represents an increase of 48% thanks to the increase in production activity and the improvement in operating margins in the PET and Chemical business, in an environment of containment of fixed costs.

The operating result has improved by 94%, which has brought the Group very close to break-even point.

The reduction in consolidated financial expenses by 6.4 million euros is mainly due to the favourable evolution of exchange rates and the reduction in borrowing as a result of the financial restructuring in the second half of 2010 and has contributed to the significant reduction in the loss before taxes, which is 5.5 million euros.

3.2 BALANCE SHEET FIGURES

The key figures of the Seda Group at 31st March 2011 are as follows:

	31/03/2011	31/12/2010	Var. %
Non-current assets	888,633	906,497	-2%
Net working capital (*)	99,713	68,545	45%
Non-current assets held for sale	14,749	56,635	-74%
Applications of funds	1,003,095	1,031,677	-3%

	31/03/2011	31/12/2010	Var. %
Equity	247,744	258,278	-4%
Net bank borrowing (ex PIK)	350,580	329,195	6%
PIK loan	230,180	228,527	1%
Other financial liabilities	62,540	68,269	-8%
Provisions and other debts	96,813	93,660	3%
Non-current liabilities held for sale	15,238	53,478	
Sources of funds	1,003,095	1,031,407	-3%

(*) Defined as Inventories + Trade and other receivables – Trade and other payables.

- **Net working capital**

The increase in net working capital is determined by the increase in receivables from customers, due to the increase in turnover in a context of containment of inventories combined with a reduction in payables to suppliers, as a result of the commencement of the calendar of payments of the renegotiated debts with the main suppliers, according to the conditions of the financial restructuring process which was completed in the second half of 2010.

- **Non-current assets and liabilities held for sale**

As mentioned in section 4.1, on 5th January 2011 the sale of all the shares in the capital of the chemical subsidiary Artenius San Roque, S.A.U. to Cepsa Química, S.A. was completed. Consequently, the assets and liabilities of that company are no longer within the consolidation perimeter, while they were classified has held for sale in the annual accounts for 2010.

In addition, it should be noted that although a definitive price for the translation had not been settled at the date of this financial information, the Directors consider that no significant differences will arise in the future in relation to the estimate made.

Consequently, the balances of assets and liabilities held for sale included on the balance sheet relate solely to those pertaining to the company Artenius Portugal, Industria de Polímeros, S.A.

- **Net bank borrowing (ex PIK)**

The net bank borrowing (except the PIK loan) has increased mainly due to the partial use of the funds obtained on the capital increase. A breakdown of the items used to calculate this item is as follows:

	31/03/2011	31/12/2010	Var. %
Bank borrowing (except PIK loan)	382,469	379,670	1%
Cash and cash equivalents	(23,830)	(34,450)	-31%
Other current financial assets	(8,059)	(16,025)	-50%
Net bank borrowing (except PIK loan)	350,580	329,195	6%

As shown in the above table, the gross borrowing remains at comparable levels compared to the end of the previous year, and the reduction in cash and other financial assets, totalling 18.6 million euros, is due to the need to finance the increase in working capital.

4. SIGNIFICANT EVENTS OCCURRING DURING THE QUARTER

4.1 Completion of the sale of Artenius San Roque, S.A.U.

On 5th January 2011, the sale of all the shares in the Parent Company's subsidiary Artenius San Roque, S.A.U. to Cepsa Química, S.A. took place.

4.2 Completion of the sale of Evertis, SGPS, S.A.

On 31st January 2011, the Parent Company transferred its entire stake in Evertis, SGPS, S.A. (formerly Begreen, SGPS, S.A.), representing 20% of its share capital. The transfer was made to Moura Consulting, S.L., holder of the remaining 80% of the shares. As a result of this sale, the Parent Company no longer has any shareholding whatsoever in Evertis, SGPS, S.A.

4.3 Appointment of new directors

At the meeting of the Board of Directors held on 9th February 2011, it was agreed to appoint, with effects from that date and by co-optation, three new directors with extensive professional experience at international level in sectors such as the chemical, consumer goods and packaging industry:

- Mr Marco Jesi, who also assumes the post of member of the Strategy Committee.
- Mr Volker Trautz, who also assumes the post of member of the Strategy Committee and member of the Nomination and Remuneration Committee.
- Mr Leslie van de Walle, who also assumes the post of member of the Strategy Committee and Chairman of the Nomination and Remuneration Committee.

Mr Leslie van de Walle replaces Mr Carlos Soria Sendra as Chairman of the Nomination and Remuneration Committee, although Mr Carlos Soria Sendra continues to be a member of the aforesaid Committee.

All the above-mentioned persons are independent directors, according to the provisions of the Unified Good Governance Code for Listed Companies.

5. SUBSEQUENT EVENTS

Formalization of the agreement for the sale of Artenius Portugal, Industria de Polímeros, S.A.

The Parent Company has reached an agreement with Control PET SGPS, S.A. for the sale of the shares in its subsidiary Artenius Portugal, Industria de Polímeros, S.A. The aforesaid agreement follows the guideline set by the Restructuring Plan approved by the General Shareholders' Meeting held on 17th December 2009. Thus, La Seda de Barcelona, S.A. has reached an agreement with Control PET, SGPS, S.A., a company in which the Imatosgil and Banco Espírito Santo Groups hold a stake, for the transfer of the shares in Artenius Portugal, Industria de Polímeros, S.A.

This agreement is subject to a series of conditions precedent, the fulfilment of which, in some cases, does not lie with either La Seda de Barcelona, S.A. or the purchaser, and which were detailed through a communication of relevant event on 2nd May 2011. It should be noted that if all the conditions precedent have not been met by 31st May 2011, either of the parties would be able to withdraw from the agreement.